



PRAIRIESKY ANNOUNCES 2018 FOURTH QUARTER AND YEAR END RESULTS; MAINTAINS DIVIDEND AT \$0.78 PER SHARE

Calgary, Alberta (February 11, 2019)

PrairieSky Royalty Ltd. ("**PrairieSky**" or the "**Company**") (TSX: PSK) is pleased to announce its fourth quarter ("Q4 2018") and year-end operating and financial results for the period ended December 31, 2018. In addition, PrairieSky's Board of Directors has confirmed the annual dividend of \$0.78 per share for the upcoming year.

PRESIDENT'S MESSAGE

Fourth Quarter 2018 Highlights:

- Average royalty production of 23,506 BOE per day included 3% liquids growth, with overall royalty production consistent with 2018 third quarter ("Q3 2018") volumes of 23,438 BOE per day.
- Funds from Operations of \$48.5 million (\$0.21 per share basic and diluted), a decrease from Q3 2018 primarily due to the impact of dramatically wider differentials on realized pricing for Canadian crude oil.
- Declared dividends of \$45.7 million (\$0.1950 per share) in Q4 2018, representing a dividend payout ratio of 94%.

2018 Annual Highlights:

- Average royalty production of 23,358 BOE per day was down from average royalty production in 2017 of 25,259 BOE per day.
- Funds from Operations of \$229.7 million (\$0.98 per share basic and diluted), a decrease from 2017 primarily due to challenged natural gas pricing and the impact of wider differentials on realized pricing for Canadian crude oil.
- Declared dividends of \$182.1 million (\$0.7750 per share), representing a payout ratio of 79% and common share repurchases of \$45.7 million under the normal course issuer bid ("NCIB"), returning a total of \$227.8 million to shareholders (an all-in payout ratio of 99%).

PrairieSky saw modest liquids growth in Q4 2018 and improved leasing activity, which contributed to a strong quarter in which the business generated \$48.5 million in funds from operations despite a turbulent commodity price environment for Canadian crude oil and natural gas and significantly wider differentials for all grades of Canadian crude oil. The wide differentials seen in Q4 2018 have narrowed during the first part of 2019. Annual funds from operations for 2018 were \$229.7 million, which represented a 79% dividend payout ratio, and a 99% payout ratio for 2018 including the repurchase of 1.8 million shares under the NCIB for \$45.7 million.

Funds from operations were primarily generated from royalty production revenue which totaled \$42.4 million for Q4 2018, down from \$71.4 million in Q3 2018. Declines in West Texas Intermediate ("WTI") and significantly wider light and heavy oil differentials negatively impacted crude oil revenue which was down to \$28.0 million in Q4 2018 versus \$55.4 million in Q3 2018. Crude oil royalty production volumes of 9,163 barrels per day were up from 9,018 barrels per day in Q3 2018, as the negative impacts of lower benchmark pricing on crude oil sliding scale production volumes (down approximately 280 barrels per day) and shut-ins due to low pricing of medium-heavy oil production volumes (approximately 100 barrels per day) were offset by production growth in the Duvernay and Cardium. NGL revenue totaled \$5.6 million which was down from \$8.6 million in Q3 2018. Lower realized pricing was partially offset by increased NGL production which totaled 2,676 barrels per day, up from 2,503 barrels per day in Q3 2018. Liquids revenue represented 79% of total royalty production revenue in Q4 2018. Natural gas prices in Western Canada continue to be challenged and exploration and development activity limited. Natural gas

revenue in Q4 2018 totaled \$8.8 million (Q3 2018 - \$7.4 million) from 70.0 MMcf per day (Q3 2018 - 71.5 MMcf per day) of royalty production.

With the Alberta government's announcement in December 2018 curtailing an estimated 325,000 barrels a day of crude oil production effective January 1, 2019, light and heavy oil differentials narrowed which is expected to improve PrairieSky's realized commodity prices in 2019 compared to Q4 2018. PrairieSky expects crude oil volumes to be impacted by approximately 200 barrels per day in the first quarter of 2019 as third-party operators on our royalty properties meet their production curtailment requirements.

Leasing activity was strong in Q4 2018, with PrairieSky entering into 41 leasing arrangements with 35 different counterparties, earning bonus consideration of \$6.4 million. Q4 2018 was the strongest quarter for leasing activity during the fiscal year. For 2018, PrairieSky entered into 131 leasing arrangements with 83 different counterparties and earned bonus consideration of \$16.5 million. Throughout 2018, leasing activity was focused on crude oil targets across a number of plays and areas.

There were 202 wells (89% oil) spud on PrairieSky lands during the quarter including 77 wells spud on Fee Lands, 57 wells spud on gross overriding royalty lands and 68 wells spud on unitized lands. Activity included 113 Viking wells in Alberta and Saskatchewan, as well as 15 Mannville light and heavy oil wells, 10 Duvernay oil wells, 7 Clearwater oil wells and 12 Montney natural gas wells. In 2018, 810 wells (2017 - 735 wells) were spud with 755 wells spud targeting crude oil. Natural gas drilling remained modest during 2018 with 55 wells spud. Drilling activity during 2018 was focused on the Viking light oil play in Western Saskatchewan and Eastern Alberta, light and heavy oil plays in Central Alberta such as the Duvernay, Clearwater and Mannville and liquids rich resource plays, including the Montney and Spirit River, in the Deep Basin and Northeast British Columbia. We estimate that approximately \$1.3 billion (2017 - \$1.1 billion) in third-party capital was spent drilling and completing wells on PrairieSky lands which includes approximately \$46 million (2017 - \$170 million) of capital spent on our thermal oil projects. Net capital for the year is estimated to be \$75 million (2017 - \$74 million) or 5.9% (2017 - 6.7%). Net capital as a percentage of gross capital decreased in 2018 compared to 2017 gross capital due to significant capital investments on lower percentage gross overriding royalty lands, including recent land fund arrangements, thermal oil projects and units, as well as operators drilling longer horizontal wells across both Crown and Fee Lands.

During the quarter, PrairieSky acquired additional producing and non-producing royalty interests for \$13.7 million. PrairieSky selectively acquired royalty interests in producing properties in Southeast Saskatchewan which added approximately 45 barrels per day of oil. In addition, PrairieSky acquired non-producing royalty interests across a number of plays through its land fund arrangements, including incremental lands in the emerging Clearwater oil play bringing PrairieSky's land holdings to approximately 780,000 acres. Acquisitions in 2018 totaled \$58.6 million. Acquisitions were paid from cash on hand as well as a minor amount of bank debt. At December 31, 2018, PrairieSky had \$5.8 million of bank debt which it expects will be repaid in 2019.

PrairieSky continues to focus on cost control in its business. Cash administrative expenses totaled \$4.4 million or \$2.03 per BOE in Q4 2018 and \$26.4 million or \$3.10 per BOE for the year ended December 31, 2018. PrairieSky's staff maintained their focus on ensuring timely and accurate royalty payments, collecting \$1.5 million on historical royalty compliance issues in Q4 2018, bringing 2018 compliance collections to \$9.2 million. These recoveries will fluctuate quarter to quarter, but our team continues to focus on collections and anticipates further collections in 2019.

I would like to thank our shareholders for their continued support as well as our dedicated staff for their efforts. Please contact Pam Kazeil, our Chief Financial Officer, at 587-293-4089 or myself at 587-293-4005 with any questions.

Andrew Phillips, President & CEO

DIVIDEND MAINTAINED AT \$0.78 PER SHARE

PrairieSky will maintain its current dividend level at \$0.78 per common share through 2019. The Board of Directors considers a number of factors in determining the dividend level, including current and projected activity levels on PrairieSky's royalty lands, the current commodity price environment and the working capital balance and earnings of the Company.

PrairieSky's NCIB started on May 4, 2018 and expires on May 3, 2019. During 2018, PrairieSky purchased and cancelled 1,804,480 common shares at an average price of \$25.31 and an aggregate cost of \$45.7 million, funded entirely from funds from operations. Future amounts to be allocated to the NCIB will be announced prior to expiration of the current NCIB in 2019.

FINANCIAL AND OPERATIONAL INFORMATION

The following table summarizes selected operational and financial information of the Company for the periods noted. All dollar amounts are stated in Canadian dollars unless otherwise noted.

A full version of PrairieSky's Management's Discussion and Analysis ("**MD&A**") and Audited Annual Consolidated Financial Statements and notes thereto as at and for the year ended December 31, 2018 is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

FINANCIAL RESULTS

(\$ Millions, unless otherwise noted)	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
FINANCIAL				
Revenues	\$ 51.6	\$ 91.5	\$ 273.8	\$ 345.7
Funds from Operations	48.5	81.1	229.7	290.2
Per Share – basic and diluted ⁽¹⁾⁽²⁾	0.21	0.34	0.98	1.23
Net Earnings and Comprehensive Income	6.0	39.9	79.4	120.6
Per Share – basic and diluted ⁽²⁾	0.03	0.17	0.34	0.51
Dividends declared ⁽³⁾	45.7	44.2	182.1	176.2
Per Share	0.1950	0.1875	0.7750	0.7450
Acquisitions, including non-cash consideration	13.7	80.8	58.6	380.5
Working Capital at period end	(10.4)	45.7	(10.4)	45.7
Shares Outstanding (millions)				
Shares outstanding at period end	234.2	236.0	234.2	236.0
Weighted average – basic	234.4	236.2	235.1	236.5
Weighted average – diluted	234.7	236.5	235.4	236.7
OPERATIONAL				
Royalty Production Volumes				
Crude Oil (bbls/d)	9,163	9,419	9,004	9,565
NGL (bbls/d)	2,676	2,454	2,463	2,677
Natural Gas (MMcf/d)	70.0	75.2	71.3	78.1
Total (BOE/d) ⁽⁴⁾	23,506	24,406	23,358	25,259
Realized Pricing				
Crude Oil (\$/bbl)	\$ 33.17	\$ 58.35	\$ 56.18	\$ 52.99
NGL (\$/bbl)	23.04	34.80	34.75	29.80
Natural Gas (\$/Mcf)	1.35	1.56	1.23	1.81
Total (\$/BOE) ⁽⁴⁾	\$ 19.61	\$ 30.82	\$ 29.09	\$ 28.84
Operating Netback per BOE⁽¹⁾	\$ 17.07	\$ 27.22	\$ 26.14	\$ 24.92
Funds from Operations per BOE	\$ 22.43	\$ 36.12	\$ 26.94	\$ 31.48
Natural Gas Price Benchmarks				
AECO monthly index (\$/Mcf)	\$ 1.90	\$ 1.96	\$ 1.52	\$ 2.43
AECO daily index (\$/Mcf)	\$ 1.59	\$ 1.65	\$ 1.51	\$ 2.19
Foreign Exchange Rate (US\$/CAD\$)	0.7557	0.7865	0.7715	0.7703
Oil Price Benchmarks				
WTI (US\$/bbl)	\$ 61.05	\$ 54.83	\$ 64.98	\$ 51.26
Edmonton Light Sweet (\$/bbl)	\$ 42.71	\$ 66.70	\$ 69.35	\$ 63.32
Western Canadian Select (WCS) crude oil differential to WTI (US\$/bbl)	\$ (39.43)	\$ (12.46)	\$ (26.29)	\$ (12.02)

(1) A non-GAAP measure which is defined under the Non-GAAP Measures section in the MD&A.

(2) Net Earnings and Comprehensive Income and Funds from Operations per Common Share are calculated using the weighted average number of common shares outstanding.

(3) A dividend of \$0.065 per common share was declared on December 11, 2018. The dividend was paid on January 15, 2019 to shareholders of record as at December 31, 2018.

(4) See "Conversions of Natural Gas to BOE".

2018 RESERVES INFORMATION

PrairieSky's year end 2018 reserves were evaluated by independent reserves evaluators GLJ Petroleum Consultants Ltd. ("GLJ"). The evaluation of PrairieSky's royalty properties was done in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. PrairieSky's reserves information is included in the Company's Annual Information Form which is available on SEDAR at www.sedar.com and PrairieSky's website at www.prairiesky.com.

CONFERENCE CALL DETAILS

A conference call to discuss the results will be held for the investment community on Tuesday, February 12, 2019 beginning at 6:30 a.m. MT (8:30 a.m. ET). To participate in the conference call, approximately 10 minutes prior to the conference call, please dial:

(844) 657-2668 (toll free in North America)

(612) 979-9882 (International)

FORWARD-LOOKING STATEMENTS

This press release includes certain statements regarding PrairieSky's future plans and operations and contains forward-looking statements that we believe allow readers to better understand our business and prospects. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. Forward-looking statements contained in this press release include our expectations with respect to PrairieSky's business and growth strategy, expected impact of government mandated production curtailments on royalty production volumes and pricing, the expectation and timing of bank debt repayment, future potential and prospectivity of new resource plays and acquisition opportunities, additional fee land leasing activities, and future collections from compliance activities and the timing of a decision on reviewing and the amount of PrairieSky's NCIB.

With respect to forward-looking statements contained in this press release, we have made several assumptions including those described in detail in our MD&A and the Annual Information Form for the period ended December 31, 2018. Readers and investors are cautioned that the assumptions used in the preparation of such forward-looking information and statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the events anticipated will transpire or occur, or if any of them do, what benefits we will derive from them.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, lack of pipeline capacity, currency fluctuations, imprecision of reserve estimates, competitive factors impacting royalty rates, environmental risks, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, political and geopolitical instability and our ability to access sufficient capital from internal and external sources. In addition, PrairieSky is subject to numerous risks and uncertainties in relation to acquisitions. These risks and uncertainties include risks relating to the potential for disputes to arise with counterparties, and limited ability to recover indemnification under certain agreements. The foregoing and other risks are described in more detail in PrairieSky's MD&A, and the Annual Information Form for the year ended December 31, 2018 under the headings "Risk Management" and "Risk Factors", respectively, each of which is available at www.sedar.com and PrairieSky's website at www.prairiesky.com.

Further, any forward-looking statement is made only as of the date of this press release, and PrairieSky undertakes no obligation to update or revise any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for PrairieSky to predict all of these factors or to assess in advance the impact of each such factor on PrairieSky's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The forward-looking information contained in this document is expressly qualified by this cautionary statement.

CONVERSIONS OF NATURAL GAS TO BOE

To provide a single unit of production for analytical purposes, natural gas production and reserves volumes are converted mathematically to equivalent barrels of oil (BOE). PrairieSky uses the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 bbl). The 6:1 BOE ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. While the BOE ratio is useful for comparative measures and observing trends, it does not accurately reflect individual product values and might be misleading, particularly if used in isolation. As well, given that the value ratio, based on the current price of crude oil to natural gas, is significantly different from the 6:1 energy equivalency ratio, using a 6:1 conversion ratio may be misleading as an indication of value.

NON-GAAP MEASURES

Certain measures in this document do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and, therefore, are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures are commonly used in the crude oil and natural gas industry and by PrairieSky to provide potential investors with additional information regarding the Company's liquidity and its ability to generate funds to conduct its business. Non-GAAP measures include Operating Netback, Operating Netback per BOE, Funds from Operations per Share - basic and diluted, Cash Administrative Expenses and Cash Administrative Expenses per BOE. Management's use of these measures is discussed further below. Further information can be found in the Non-GAAP Measures section of PrairieSky's MD&A.

"Operating Netback" represents the cash margin for products sold. Operating Netback is calculated as royalty revenues less production and mineral taxes and administrative expenses. Operating Netback provides a consistent measure of the cash generating performance of the PrairieSky's royalty properties to assess the comparability of the underlying performance between years.

"Operating Netback per BOE" represents the cash margin for products sold on a BOE basis. Operating Netback per BOE is calculated by dividing the Operating Netback by the production volumes for the period. Operating Netback per BOE is used to assess the cash generating performance per unit of product sold. Operating Netback per BOE measures are commonly used in the crude oil and natural gas industry to assess performance comparability.

"Funds from Operations per Share" are calculated on a weighted average basis using basic and diluted common shares outstanding during the period. This measure, together with other measures, are used by the investment community to assess the source, sustainability and cash available for dividends and share repurchases.

“Cash Administrative Expenses” represents administrative expenses excluding the volatility and fluctuations in share-based compensation expense that were not settled in cash in the current period. Cash administrative expenses is calculated as total administrative expenses, adjusting for share-based compensation expense (recovery) in the period, plus any actual cash payments made under plans as described in further detail in PrairieSky’s MD&A. Management believes cash administrative expenses is a common benchmark used by investors when comparing companies to evaluate operating performance.

“Cash Administrative Expenses per BOE” represents cash administrative expenses on a BOE basis. Cash administrative expenses per BOE is calculated by dividing cash administrative expenses by the production volumes for the period. Cash administrative expenses per BOE assists management and investors in evaluating operating performance on a comparable basis.

Funds from operations Per Share Calculations – Basic and Diluted

The following table presents the computation of Funds from Operations per Share:

<i>(millions, except per share data)</i>	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
Funds from Operations	\$ 48.5	\$ 81.1	\$ 229.7	\$ 290.2
Number of common shares:				
Weighted average common shares outstanding – basic	234.4	236.2	235.1	236.5
Effect of dilutive securities	0.3	0.3	0.3	0.2
Weighted average common shares outstanding – diluted	234.7	236.5	235.4	236.7
Funds from Operations per Share				
Basic and Diluted	\$ 0.21	\$ 0.34	\$ 0.98	\$ 1.23

Cash Administrative Expenses

The following table presents the computation of Cash Administrative Expenses:

<i>(millions)</i>	Three months ended December 31		Year ended December 31	
	2018	2017	2018	2017
Total Administrative Expenses	\$ 4.2	\$ 6.5	\$ 20.0	\$ 30.1
Share-Based Compensation recovery (expense)	0.2	(1.7)	1.3	(9.8)
Cash payments made under RSU and PSU plans ⁽¹⁾	-	-	5.1	6.4
Non-cash reimbursement for administrative expenses	-	1.0	-	1.0
Cash Administrative Expenses	\$ 4.4	\$ 5.8	\$ 26.4	27.7

⁽¹⁾ See PrairieSky’s MD&A for details on its share-based compensation plans.

ABOUT PRAIRIESKY ROYALTY LTD.

PrairieSky is a royalty-focused company, generating royalty revenues as petroleum and natural gas are produced from its properties. PrairieSky has a diverse portfolio of properties that have a long history of generating free cash flow and that represent the largest and most concentrated independently-owned fee simple mineral title position in Canada. PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK.

FOR FURTHER INFORMATION PLEASE

CONTACT:

Andrew Phillips
President & Chief Executive Officer
PrairieSky Royalty Ltd.
587-293-4005

Pam Kazeil
Vice President, Finance & Chief Financial Officer
PrairieSky Royalty Ltd.
587-293-4089

Investor Relations
(587) 293-4000

www.prairiesky.com